

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Tony Hammond, Vice Chairman;
Mark Acton; and
Nanci E. Langley

Competitive Product Prices
Inbound Parcel Post (at UPU rates)

Docket No. CP2016-56

ORDER ACCEPTING CHANGES IN RATES
FOR INBOUND PARCEL POST (AT UPU RATES)

(Issued December 29, 2015)

I. INTRODUCTION

The Postal Service proposes a change in rates not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) rates), effective January 1, 2016.¹ For the reasons discussed below, the Commission finds that the planned price changes satisfy applicable statutory criteria.

II. BACKGROUND

Inbound Parcel Post (at UPU rates). At the time it established separate product lists for market dominant and competitive products in 2007, the Commission assigned

¹ Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates) and Application for Non-Public Treatment, December 16, 2015, at 1-2 (Notice).

Air Parcel Post to the competitive product list.² During 2009, Air Parcel Post was bifurcated.³ In Order No. 362, the existing product, Air Parcel Post, was renamed Inbound Air Parcel Post (at non-UPU rates). *Id.* at 8-9. In that same Order, the Commission approved the addition of a new product, Inbound Air Parcel Post (at UPU rates), to the competitive product list. *Id.* An initial review of the new product's rates indicated compliance with statutory requirements. *Id.* On June 26, 2014, the Commission accepted proposed price changes for Inbound Air Parcel Post (at UPU rates).⁴

On August 19, 2014, the Commission approved the Postal Service's request to: (1) transfer Inbound Surface Parcel Post (at UPU rates) from the market dominant product list to the competitive product list; (2) to merge the transferred product with Inbound Air Parcel Post (at UPU rates); and (3) to identify the merged product as Inbound Parcel Post (at UPU rates).⁵ An initial rate review indicated compliance with statutory requirements. *Id.* at 7.

As part of Order No. 2160, Inbound Air Parcel Post (at UPU rates) and Inbound Surface Parcel Post (at UPU rates) were merged into a single product identified as Inbound Parcel Post (at UPU rates). *Id.* at 4.

² Docket No. RM2007-1, Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, at 100.

³ Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

⁴ Docket No. CP2014-52, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), June 26, 2014 (Order No. 2102). In Order No. 2102, the Commission also directed the Postal Service to provide, in future filings, a citation to where the applicable inward land rates can be located in the relevant UPU International Bureau (IB) Circular and to provide a copy of that circular. *Id.* at 5. In addition, the Commission directed the Postal Service to provide an update, as part of each filing, of information and data that had been provided in the Management Analysis that had accompanied the prices proposed for Inbound Air Parcel Post (at UPU rates). *Id.* at 5-6. The Postal Service's Notice in this proceeding provides the information that Order No. 2102 directed the Postal Service to file. Notice at 3-4, Attachment 3, Attachment 5.

⁵ Docket No. MC2014-28, Order No. 2160, Order Approving Product List Transfer, August 19, 2014, at 8.

Initial Commission action. In Order No. 2894, the Commission provided public notice of the Postal Service's filing; established the instant docket for consideration of the filing's consistency with applicable statutory policies and Commission regulations; appointed a Public Representative; and provided an opportunity to comment.⁶

III. THE POSTAL SERVICE RATE PROPOSAL IN THE CURRENT PROCEEDING

The Postal Service filed separately under seal with the Commission the rates and supporting documents purporting to establish compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3015.5. The Postal Service's Application for Non-Public Treatment of those materials is included in the Notice as Attachment 1. A redacted copy of Governors' Decision No. 14-04 establishing the rates and the classification for Inbound Parcel Post (at UPU rates) is included as Attachment 2. A redacted version of the Universal Postal Union IB Circular 163, dated September 28, 2015, which sets the new rates, is included as Attachment 3. The certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 4. A redacted version of the supporting financial documentation is also included with the filing.

The Postal Service maintains that the planned rates are in accordance with the terms of previously established Governors' Decision No. 09-15. Notice at 1. It, therefore, asserts that it has established that the new rates are in compliance with the requirements of 39 U.S.C. § 3633(a)(2) and that it has met its burden of providing notice to the Commission of changes in rates within the scope established by Governors' Decision No. 14-04, as required by 39 U.S.C. § 3632(b)(3). *Id.* at 2; *see id.* Attachment 2.

⁶ Notice and Order Concerning Changes in Rates for Inbound Parcel Post (at UPU Rates), December 17, 2015 (Order No. 2894).

IV. COMMENTS

The Public Representative filed comments on December 24, 2015.⁷ No other comments were received. Based upon his review of the financial model, the Public Representative states that the inbound land rates for the Inbound Parcel Post (at UPU rates) product satisfy the requirements of 39 U.S.C. § 3633(a)(2). PR Comments at 2. He further states that the rates for Inbound Parcel Post (at UPU rates) should generate sufficient revenues to cover costs and to provide an appropriate share to the institutional costs of the Postal Service. *Id.* at 3. However, he observes that the “actual volume ratio between Inbound Air Parcel Post (at UPU Rates) and Inbound Surface Parcel Post (at UPU Rates) could differ from the volume ratio estimated in the financial model for the same period, which could adversely affect the cost coverage for the product for 2016.” *Id.*

V. COMMISSION ANALYSIS

The Commission reviews price changes for competitive products in terms of the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of competitive products by market dominant products (§ 3633(a)(1)); require each competitive product to cover its attributable costs (§ 3633(a)(2)); and require competitive products as a whole to cover an appropriate share of institutional costs (§ 3633(a)(3)).

The Commission has reviewed the Notice, supporting documentation, and the Public Representative’s comments in light of the criteria in 39 U.S.C. §§ 3633(a)(1)-(a)(3).

The Commission agrees with the Public Representative’s observation that changes in the volume ratio between Inbound Air Parcel Post and Inbound Surface Parcel Post, which make up the Inbound Parcel Post (at UPU rates) product, could negatively impact cost coverage for FY 2016. However, Commission approval of

⁷ Public Representative Comments on Postal Service Notice Concerning Change in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), December 24, 2015 (PR Comments).

inward land rates for January through July 2016 is based on FY 2014 volume data as it was the most recent volume data available at the time of filing. The Commission will have the opportunity to review the FY 2016 cost coverage for Inbound Parcel Post (at UPU rates) in the FY 2016 Annual Compliance Determination using more recent cost data for that period.

The Commission finds that the rates presented in the Notice should not lead to the subsidization of competitive products by market dominant products; should cover attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Thus, the Commission finds that the planned rates for Inbound Parcel Post (at UPU rates) satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

VI. ORDERING PARAGRAPHS

It is ordered:

1. The Commission finds that the planned rates for Inbound Parcel Post (at UPU rates), scheduled to take effect January 1, 2016, are in accordance with the relevant statutory and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.
2. Consistent with Order No. 2102, the Postal Service is directed to provide, in future filings concerning rates for Inbound Parcel Post (at UPU rates), a citation to the relevant IB Circular (including annex and page number); a copy of the relevant IB Circular; and an update to the information and data appearing in Attachment 5 to the Notice.

By the Commission.

Stacy L. Ruble
Secretary